MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2017/2018

DFA5038 – FINANCIAL ACCOUNTING 3

(For Diploma Students Only)

6 MARCH 2018
9.00 am – 12:00 pm
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 7 pages with 4 questions.
2. Answer **ALL** questions.
3. Write your answers in the answer booklet provided.

QUESTION 1

Part A

SME Cloud Sdn Bhd had the following inventory transactions for the month of November and December 2016.

Date	Transactions	Unit	Cost per Unit (RM)	Selling Price per Unit (RM)
Nov 3	Purchase	450	2.50	
15	Sales	340		6.00
28	Purchase	200	3.00	
Dec 9	Purchase	280	3.50	
29	Sales	420		6.50

Instructions

(a) Calculate the ending inventory and total cost of goods sold as at 29 December 2016 for SME Cloud Sdn Bhd by using LIFO method under the perpetual inventory system. (8 marks)

(b) Calculate the total cost of goods sold as at 29 December 2016 for SME Cloud Sdn Bhd by using FIFO and LIFO method under the periodic inventory system. (9 marks)

(c) Briefly explain ONE (1) difference between perpetual inventory system and periodic inventory system. (2 marks)

Part B

On 31 December 2016, PC World Sdn Bhd developed the following data pertaining to units in its ending inventory.

Item	Units	Cost per Unit (RM)	Cost to Replace (RM)
Computer	40	1,100	900
Pendrive	120	16	15
Keyboard	40	30	35
Printer	60	300	270
Monitor	40	500	400
Scanner	50	300	200

Item	Units	Cost per Unit (RM)	Cost to Replace (RM)
Speaker	180	50	60
Headphone	200	30	35
Microphone	200	40	70
External Hardisk	100	150	120
Camera	50	600	750
CD	500	1	0.50

Continued...

Instruction

Determine the value of ending inventory by applying the lower of cost or market rule to each item in the inventory and also to the total inventory.

(6 marks)

[TOTAL 25 MARKS]

QUESTION 2

Part A

Fashion Valley Corporation is one of Asia's most favourite online store carrying over hundred types of brands. The business faced two exceptionally good years and has decided to invest its excess funds in bonds.

Below are selected transactions related to bonds acquired as an investment by Fashion Valley Corporation with fiscal year ends on December 31.

Year 2012	
Jan 1	Purchased at par RM800,000 of Amara Corporation 10 year, 9% bonds dated 1 January 2012, directly from the issuing corporation.
Jul 1	Received the semiannual interest on the Amara bonds.
Dec 31	Accrual of interest at year end on the Amara bonds.

Note: Assume that all intervening transactions and adjustments have been properly recorded and the number of bonds owned has not changed from 31 December 2012 to 31 December 2016.

Year 2017	
Jan 1	Received the semiannual interest on the Amara bonds.
Jan 1	Sold RM400,000 Amara bonds at 1.14. The broker deducted RM7,000 for commissions and fees on sale.
Jul 1	Received the semiannual interest on Amara bonds.
Dec 31	Accrual of interest at year end on the Amara bonds.

Instructions

(a) Journalize the listed transactions for the year 2012 and 2017.

(9 marks)

(b) Assume that the fair value of the bonds at 31 December 2012 was RM770,000. These bonds are classified as *available-for-sale* securities. Prepare the adjusting entries to record these bonds at fair value.

(1 mark)

Continued...

(c) Based on your analysis in part (b), show the Statement of Financial Position presentation of the bonds and interest receivable at 31 December 2012. Assume the investments are considered as long-term. Briefly explain where do any of the unrealized gain or loss be reported in the financial statements. Show all your workings, including an extract of the partial financial statement.

(3 marks)

Part B

Sugar Hijab Corporation acquired 25% of the outstanding common stock of Honey Abaya Corporation on 1 January 2016 by paying RM1,200,000 for 50,000 shares. Honey Abaya Corporation declared and paid a RM0.50 per share cash dividend on 30 June and again on 31 December 2016. Honey Abaya Corporation reported net income of RM600,000 for the year. At 31 December 2016 the market price of Honey Abaya Corporation's common stock is RM30.

Instructions

(a) Prepare journal entries for Sugar Hijab Corporation for 2016 assuming Sugar Hijab Corporation cannot exercise significant influence over Honey Abaya Corporation. *(Use the cost method and assume Honey Abaya Corporation common stock should be classified as available-for-sale.)*

(4 marks)

(b) Prepare journal entries for Sugar Hijab Corporation for 2016, assuming Sugar Hijab Corporation can exercise significant influence over Honey Abaya Corporation. *(Use the equity method.)*

(4 marks)

(c) State TWO (2) reasons for corporations to invest on debt or stock securities.

(4 marks)

Show all your workings.

[TOTAL 25 MARKS]

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QUESTION 3

Part A

On January 2016, post-closing trial balances for two proprietorship businesses are presented below.

	Warda Company		Ejaz Company	
	Debit (RM)	**Credit (RM)**	**Debit (RM)**	**Credit (RM)**
Cash	19,000		12,000	
Accounts receivable	30,000		46,000	
Allowance for doubtful account		5,000		8,000
Merchandise inventory	56,000		34,000	
Equipment	100,000		60,000	
Accumulated depreciation - equipment		48,000		26,000
Note payable		40,000		-
Accounts payable		50,000		74,000
Warda, Capital		62,000		-
Ejaz, Capital				44,000
Total	**205,000**	**205,000**	**152,000**	**152,000**

Warda and Ejaz decided to form a partnership, Suri Hati Company with the following agreed upon variations for non-cash assets.

	Warda Company	Ejaz Company
	RM	**RM**
Accounts receivable	30,000	46,000
Allowance for doubtful account	7,000	10,000
Merchandise inventory	64,000	48,000
Equipment	62,000	36,000

All cash will be transferred to the partnership and the partnership will assume all the liabilities of the two proprietorship. Further it is agreed that Warda will invest RM6,000 in cash and Ejaz will invest RM26,000 in cash.

Instructions

(a) Prepare separate journal entries to record the transfer of each proprietorship's assets and liabilities to the partnership. (8 marks)

(b) Journalize the additional cash investment by each partner. (2 marks)

(c) Prepare a Statement of Financial Position for the partnership on 1 January 2016. (5 marks)

Show all your workings.

Continued...

Part B

On 31 December 2016, the capital balances and income ratios in the FAN Company are as follows.

Partner	Capital Balances (RM)	Income Ratio (%)
Faezah	140,000	60
Azah	60,000	30
Nadia	49,000	10

Instructions

Journalize the withdrawal of Nadia under each of the following independent assumptions.

(a) Each of the remaining partners agrees to pay RM26,000 in cash from personal funds to purchase Nadia's ownership equity. Each receives 50% of Nadia's equity.

(b) Azah agrees to purchase Nadia's ownership interest for RM36,000 in cash.

(c) From partnership assets, Nadia is paid RM58,000 which includes a bonus to a retiring partner.

(d) Nadia is paid RM28,000 from partnership assets. Bonuses to the remaining partners are recognized.

(10 marks)

Show all your workings.

[TOTAL 25 MARKS]

Continued...

QUESTION 4

Part A

(a) Fill in the blank for each question below.

• contingent liability	• interest
• current assets	• current liabilities
• liquidity	• operating cycle
• revenues	• expenses

i. A company whose current liabilities exceed its current assets may have a _____ problem.
ii. Notes payable usually require the borrower to pay _____.
iii. A _____ is a liability that may occur if some future event takes place.
iv. Most companies pay current liabilities out of _____.
v. In most companies, current liabilities are paid within one year or the _____.
vi. Sales taxes collected by a retailer are reported as _____.

(3 marks)

(b) Camelia Company had the following transactions involving notes payable.

1 Nov 2016	Borrows RM240,000 from M&M Bank by signing a 3-month, 10% note.
31 Dec 2016	Prepares the adjusting entry.
1 Feb 2017	Pays principal and interest to M&M Bank.

Instruction

Prepare journal entries for each of the above transaction. (4 marks)

(c) Dory Blue Publications publishes a beach life magazine. The magazine sells for RM30 a copy on the newsstand. Yearly subscriptions to the magazine cost RM240 per year (12 issues). During December 2016, Dory Blue Publications sells 12,000 copies and receives payment for 20,000 subscriptions for 2017. Financial statements are prepared monthly.

Instructions

i. Prepare the December 2016 journal entries to record the newsstand sales and subscriptions received. (2 marks)

ii. Prepare the necessary adjusting entry on 31 January 2017. The January 2017 issue has been mailed to subscribers. (1 mark)

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Part B

The comparative Statement of Financial Position of Fattzura Company are presented below.

Fattzura Company Comparative Statement of Financial Position as at 31 December		
	2016 (RM)	**2015 (RM)**
Assets		
Current assets	320,000	328,000
Property, plant and equipment (net)	400,000	382,000
Intangible assets	250,000	280,000
Total assets	**970,000**	**990,000**
Liabilities		
Current liabilities	261,000	275,400
Non-current liabilities	480,000	494,000
Stockholders' equity	229,000	220,600
Total liabilities and stockholders' equity	**970,000**	**990,000**

Instructions

(a) Prepare a horizontal analysis by using year 2015 as a base. (8 marks)

(b) Prepare a vertical analysis for year 2016. (4 marks)

(c) Compute current ratio for both years. (3 marks)

[TOTAL 25 MARKS]

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